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December 22, 2004

VIA ELECTRONIC AND 1st CLASS MAIL SERVICE

The Honorable Charles L.A. Terreni
Executive Director
South Carolina Public Service Commission
PO Drawer 11649
Columbia SC 29211

RE: Application of Total Environmental Solutions, Inc. for Adjustment of
Rates and Charges for Provision of Water and Sewer Collection
Docket No. 2004-90-W/S, Our File No. 557-10022

Dear Mr. Terreni:

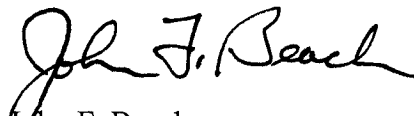
Pursuant to David Butler's instructions emailed to the parties in this proceeding on November 23 2004, on behalf of Total Environmental Solutions, inc. ("TESI"), I enclose an original and ten copies of the proposed **Order on Reconsideration** for filing in the above-referenced docket. In addition to the proposed Order, which incorporates enclosed Schedules A and B, and Appendix A, I also enclose Supporting Documents 1-4, which contain the detail supporting TESI's calculations of the PSC utility assessment, income taxes, and taxes other than income. By copy of this letter, I am serving these documents upon all parties of record in this proceeding by first class and electronic mail service, and enclose my certificate of service to that effect.

While TESI believes that the enclosed Order accurately reflects the Commission's rulings on the various issues before it on reconsideration, we are submitting this proposed Order to the Commission without waiving TESI's position that certain portions of the Commission's rulings may be subject to reversal on appeal.

Please have your office stamp "received" the additional copy of this letter, and return it to me in the enclosed envelope.

With kind regards, I am

Yours truly,


John F. Beach

cc: Mr. Paul Maeder
Mr. Bill Schoening
Mr. Gary Shambaugh
All parties of record

Attachments

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Ellis, Lawhorne & Sims, P.A., Attorneys at Law

**STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION
DOCKET NO. 2004-90-W/S**

IN THE MATTER OF:)
)
Total Environmental Solutions, Inc.)
Application for Increase in Rates and)
Charges for Water and Sewer Services)
_____)

CERTIFICATE OF SERVICE

This is to certify that I have caused to be served this day, one (1) copy of the **Proposed Order on Reconsideration** via electronic mail and by placing a copy of same in the care and custody of the United States Postal Service (unless otherwise specified), with proper first-class postage affixed hereto and addressed as follows:

Elliott Elam, Staff Attorney
SC Department of Consumer Affairs
PO Box 5757
Columbia, SC 29250

H. Asby Fulmer, III
Fulmer Law Firm, PA
PO Box 1330
Summerville SC 29484

Mason A. Summers, Esquire
DHEC Staff Counsel
SC Department of Health & Environmental Control
2600 Bull Street
Columbia SC 29201-1708

David Butler, Esquire
South Carolina
Public Service Commission
PO Drawer 11649
Columbia, SC 29211



Carol Roof

Columbia, South Carolina
December 22, 2004

STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION
DOCKET NO. 2004-90-W/S – ORDER NO. 2004-574

DECEMBER ____, 2004

IN THE MATTER OF:)

Total Environmental Solutions, Inc.)
Application for Increase in Rates and)
Charges for Water and Sewer Services)

ORDER
ON RECONSIDERATION

On September 17, 2004 the Public Service Commission of South Carolina (the “Commission”) issued Order No. 2004-434 in this docket (the “Order”). This matter comes before the Commission on Petitions for Reconsideration of the Order filed by the Foxwood Hills Property Owners Association (Foxwood Hills POA) and by Total Environmental Solutions, Inc. (TESI or the Company), respectively.

I. Foxwood Hills POA Petition for Reconsideration

Foxwood Hills POA petitioned for reconsideration concerning the requirement stated on page two of Appendix A to Order No. 2004-434 that any person who reconnects within 10 months of being disconnected will be charged for the time that service was disconnected. According to the Foxwood Hills POA, this may cause a hardship on persons who are disconnected for inability to pay their bills. We deny this Petition.

As a public utility in South Carolina, TESI must be prepared to make water and sewer services available to its entire customer base seven days a week, three hundred and sixty five days a year. TESI must keep and maintain the treatment and delivery systems and infrastructure necessary to meet that obligation.

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SOUTH CAROLINA
PUBLIC SERVICE
COMMISSION

The provision that the POA challenges helps to ensure that TESI's annual revenue stream is predictable and relatively constant within the Foxwood Hills service area. TESI's water and sewer systems must be built and maintained to serve all property owners regardless of whether they are using their property, and all property owners must contribute to the fixed costs of the system.

Further, there is nothing in the record expressly addressing this issue other than the Company's testimony supporting its Application and associated tariff. No testimony or documentation opposing this provision was received. If property owners believe that they are burdened by this provision in the future, they may register complaints with the Office of Regulatory Staff and request a Commission hearing, pursuant to the applicable Commission Rules and Regulations. Accordingly, the Petition for Reconsideration filed by the Foxwood Hills Property Owners Association is denied.

II. TESI's Petition for Reconsideration

TESI's Petition for Reconsideration concerned a number of issues. These will be discussed below.

A. Commission Decision to Eliminate \$19,043 in Direct Wages and Benefits for TESI's Field Technician

First, TESI alleges that this Commission erred in eliminating \$19,043 that TESI claimed in direct wages and benefits for a third field technician. The Commission accepted the Commission Staff's recommendation to eliminate \$19,043 in direct wages and benefits during the test year for this technician. Order No. 2004-434 at 14. We based

our decision to reject this expense upon our finding that TESI had not replaced the technician at the time of the hearing, that the expense was not known and measurable. Id. TESI states that the Commission should have allowed the expense, based on the fact that the salary was paid for part of the test year, and that the technician is essential to the proper operation of the Foxwood system, and needs to be filled. We deny this portion of the Petition and reaffirm our holding in Order No. 2004-434. Indeed, the field technician at issue had not been replaced at the time of the hearing. No one knew when or if said technician would be hired. Accordingly, we were correct in stating that the amount was not known or measurable, and the Commission Staff's adjustment was properly adopted.

B. Commission Decision to Eliminate Approximately \$21,800 in Affiliated Services Costs

Second, TESI states that this Commission erred in eliminating approximately \$21,800 in affiliated services costs. In making this adjustment to TESI's proposed test year expenses, the Commission adopted Staff's adjustments in approximately three areas: General Administrative and Office Expenses; Depreciation –Office Building in Baton Rouge, Louisiana.; and TESI's calculated 20% and 5% coverage factors. TESI takes issue with the Commission's acceptance of Staff's position concerning each of these adjustments.

We reverse our position, and hereby grant depreciation expense for the office building in Baton Rouge, based on the discussion appearing in section II. D. of this Order. However, we reaffirm our positions taken in Order No. 2004-434 and reject TESI's positions on the coverage factors. We adopted Staff's positions in that Order, and

stated our reasoning therefore. The Company has cited no evidence that would cause us to modify our position on this matter.

C. Commission Decision to Reject TESI's Proposed Asset Base Correction

Third, the Company asserts that this Commission erred in failing to correct TESI's asset base, establishing a rate base for TESI's Foxwood system of \$3,749,759, with corresponding increases in TESI's test year depreciation and interest expenses. In the alternative, TESI asserts that the Commission erred in rejecting the Staff's "alternative" rate base proposal, which would have established TESI's rate base at \$1,609,342 at the end of the test year.

Although we reject TESI's assertion that our failure to establish either of these rate bases was error, we do note that our decision on TESI's next allegation of error results in the establishment of a positive rate base, and in the Commission's recognition of depreciation and interest expense for the first time in this case. A further explanation is contained infra.

D. Commission Decision to Characterize Approximately \$351,756 in Enhancement Fee Income as Contributions in Aid of Construction

TESI's fourth allegation of error is that this Commission erred in characterizing approximately \$351,756 as enhancement fee "income," and then treating the entire amount as contributions in aid of construction. In calculating TESI's rate base, Staff asserted that TESI's 2002 and 2003 enhancement fee income should be counted against TESI's rate base as contributions in aid of construction. In determining what was to be

included in “income,” Staff proposed that the Commission include not just enhancement fees that TESI had actually *collected*, but those that TESI had *billed* during these two years. TR., Vol.3 at 40-41.

We ultimately adopted the Staff’s position in its entirety. Order No. 2004-434 at 19-22.

Staff established that TESI’s actual collections for 2002 were the billed amount of \$175,728 minus bad debt of (\$147,735), or \$27,993, and for 2003, the billed amount of \$167,037 minus bad debt of (\$124,392), or \$42,647.

TESI alleges that counting billed instead of collected enhancement fee amounts as contributions in aid of construction directly violates the NARUC Uniform System of Accounts. Section 271, “Contributions in Aid of Construction,” specifies that the amount shall only include: “A. 1. Any amount or item of money, services or property *received* by a utility...4. Any amount of money *received* by a utility...” [emphasis added].

TESI states that the Commission’s decision regarding enhancement fees also violates a holding in the Supreme Court case of *Total Environmental Solutions, Inc. v. South Carolina Public Service Commission*, 351 S.C. 175, 568 S.E. 2d 365 (2002) (“*TESI*”). In *TESI*, the Court held that the Commission may not treat enhancement fees as operating income when the record is void of any evidence that the utility received or directly benefited from the fees. TESI contends that since it received no benefit from 2002 and 2003 enhancement fees that it billed, but did not collect, counting them as contributions in aid of construction violates that part of the *TESI* holding.

Although we take no position on TESI's last argument, after due consideration, we do agree it would violate the NARUC Uniform System of Accounts to count *billed* enhancement fees as contributions in aid of construction. Section 271 contemplates contributions in aid of construction to include only amounts actually *received* by a utility.

Since we counted all billed enhancement fees in Order No. 2004-434, we must reverse our position on this issue and base our rate decision only upon enhancement fees actually collected. Accordingly, we find that when we correctly include \$70,640 in enhancement fees and \$19,300 in tap fees, TESI's contributions in aid of construction are \$89,940. This results in a positive rate base of \$218,837.

The Commission finds that the existence of a positive rate base requires the application of depreciation expense to the test year. Based upon the \$218,837 rate based, calculated depreciation expense is \$3,377.

We also find that the positive rate base requires the Commission to apply interest expense in calculating TESI's operating margin and resulting rates. We find that interest expense is \$14,259. We based this finding upon the fact that this is the interest expense actually experienced by TESI, as expressed in the Company's audited financial statements for the test year 2002. This is the only evidence in the record on interest expense, and no record evidence supports a different amount. Moreover, while the Commission findings above are independently sufficient to support this interest amount, we do find that the \$14,259 interest amount represents an effective annual interest rate of 6.52%, which is well within the range of commercial reasonableness.

After making these adjustments to our previous findings, we find TESI's total operating revenues after full implementation of this rate increase become \$654,200, total operating expenses become \$509,069, and Net Operating Income and Total Income for Return become \$145,131. Phase 1 and Phase 2 rates have been adjusted accordingly to maintain the same operating margins the Commission originally approved in the Order for those phases. Schedule A, attached hereto and incorporated herein, details the calculations of the modified annual revenue requirements and operating margins for phases 1, 2 and 3. These calculations replace those set forth in Table B of the Order. Schedule B, also attached hereto and incorporated herein, sets forth the calculation of actual rates resulting from these modifications. Accordingly, we grant partial reconsideration of Order No. 2004-434 as outlined herein.

E. Commission Decision to Adopt a Phased-in Rate Structure that Implements TESI's Rates in Three Annual Phases

TESI's final allegation is that this Commission erred in adopting a phased-in rate structure contingent upon certain DHEC approvals for Phases 2 and 3, that requires TESI to operate under a negative operating margin during the first year, and only implementing the required 20% operating margin in the third year.

We continue to affirm our right as a Commission to phase in rates when we believe that the overall effect of granted rates will result in "rate shock" to a utility's customers. In this case, the rate increase upon implementation of the full amount is substantial. We believe that the effect on TESI's customers would be devastating if implemented all at once. A phase-in of rates is most appropriate. Although we understand

TESI's attempt to distinguish this case from Hamm v. South Carolina Public Service Commission, 294 S.C. 320, 364 S.E. 2d 455 (1988), despite some factual distinctions, the application of the "phase-in" principle found in Hamm is reasonably applicable to situations such as those found in the case at bar, where large rate increases are in store for consumers. Slight differences in the facts do not make the case inapplicable for consumers. We reaffirm our holding on the phase-in and the value of it to the customers of the Company.

III. Conclusion

In summary, we deny the allegations of TESI's Petition for Reconsideration, except as indicated above. Our holding does result in rates for each phase of the phase-in which are different from those found in Appendix A to Order No. 2004-434. Accordingly, we hereby update the rates found in that Order by the issuance of Appendix A to this Order. These rates shall take effect upon issuance of this Order.

This Order shall remain in full force and effect until further Order of the Commission.

IT IS THEREFORE ORDERED THAT:

1. The Commission hereby affirms all of the findings and conclusions of the Order, except as modified herein.
2. The schedule of rates and charges attached hereto as Appendix A is hereby approved for service rendered on or after the date of this Order. Further, the schedules are deemed to be filed with the Commission pursuant to S.C. Code Ann. Section 58-5-240 (2003).

3. Should the schedules approved herein and attached hereto as Appendix A not be placed in effect until three (3) months from the effective date of this Order, the schedules shall not be charged without written permission from the Commission.

4. TESI shall maintain its books and records for water and sewer operations in accordance with the NARUC Uniform System of Accounts for Class B Water and Sewer Utilities, as adopted by this Commission.

5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Chairman

ATTEST:

Executive Director

(SEAL)

SCHEDULE A

TOTAL ENVIRONMENTAL SOLUTIONS, INC.

Foxwood Hills Water and Sewer Operations

Annual Revenue Requirements and Operating Margin
Test Year Ended December 31, 2002

Description	Annual Revenue Requirements		
	Phase 1	Phase 2	Phase 3
Operating Revenues			
Operating Revenue - Water	\$195,333	\$279,262	\$350,722
Operating Revenue - Sewer	216,686	264,857	300,497
Customer Penalties	2,981	2,981	2,981
Total Operating Revenues	<u>\$415,000</u>	<u>\$547,100</u>	<u>\$654,200</u>
Operating Expenses			
Operating and Maintenance Expenses	\$190,244	\$190,244	\$190,244
General and Administrative Expenses	226,430	226,430	226,430
Depreciation & Amortization Expenses	3,377	3,377	3,377
Taxes Other Than Income	9,463	10,402 1	11,163
Income Taxes	0	38,190 2	77,855
Total Operating Expenses	<u>\$429,514</u>	<u>\$468,643</u>	<u>\$509,069</u>
Net Operating Income (Loss)	-\$14,514	\$78,457	\$145,131
Interest Expense	\$14,259	\$14,259	\$14,259
Operating Margin After Interest Expense	-6.93%	11.73%	20.00%

SCHEDULE B

TOTAL ENVIRONMENTAL SOLUTIONS, INC.

Foxwood Hills Water and Sewer Operations

Rate Design Based On Annual Revenue Requirements
Test Year Ended December 31, 2002

Customer Class	Number of Bills	Phase 1 Rate Design		Phase 2 Rate Design		Phase 3 Rate Design	
		Rates	Revenue	Rates	Revenue	Rates	Revenue
Water Service							
Residential	4380	\$31.45	\$137,751	\$45.05	\$197,319	\$56.55	\$247,689
Recreational Vehicle	2256	23.59	53,219	33.79	76,230	42.41	95,677
Commercial	96	45.98	4,414	61.95	5,947	77.93	7,481
Total Water Service			\$195,384		\$279,496		\$350,847
Sewer Service							
Residential	4164	\$36.35	\$151,361	\$44.35	\$184,673	\$50.50	\$210,282
Recreational Vehicle	2256	27.26	61,499	33.26	75,035	37.88	85,457
Commercial	96	40.97	3,933	46.94	4,506	52.92	5,080
Total Sewer Service			\$216,793		\$264,214		\$300,820
Add:							
Customer Penalties			\$2,981		\$2,981		\$2,981
Total Annual Revenue Requirements Per Rate Design			\$415,158		\$546,692		\$654,648
Annual Revenue Requirements Operating Margins			\$415,000 -6.93%		\$547,100 11.73%		\$654,200 20.00%
Difference			\$158		-\$408		\$448

APPENDIX A

TOTAL ENVIRONMENTAL SOLUTIONS, INC.

**2299 Dr. Johns Rd.
Westminster, S.C. 29693**

Filed Pursuant to Docket No. 2004-90 -W/S - Order No. 2004-574
Effective Date of Order: December _____, 2004

SCHEDULE OF RATES AND CHARGES

AVAILABILITY: Available within the Company's service area.

APPLICABILITY: **Residential** rates apply to all lots within the Company's service area upon which either a dwelling or one or more of its appurtenances is permanently affixed or located.

RV rates apply to all RV lots within the Company's service area upon which either a dwelling or one or more of its appurtenances is not permanently affixed or located.

Commercial rates apply to any commercial or master-metered residential customer for any purpose.

Commercial/Condominium applies to any condominium complex within the Company's service area. Commercial customer is provided with a single monthly bill based upon the number of condominium units in the applicable complex multiplied by the applicable per-unit rate set forth below.

WATER SERVICE RATES AND CHARGES

WATER MONTHLY RATES			
Effective Date	Residential Per Lot	RV Section Per Lot	Commercial Per Tap
	Commercial/Condominium Per Unit		
Phase 1 – 12/01/04	\$31.45	\$23.59	\$45.98
Phase 2 – 12/01/05	\$45.05	\$33.79	\$61.95
Phase 3 – 12/01/06	\$56.55	\$42.41	\$77.93

NONRECURRING CHARGES:

CONNECTION FEE (New Customer)

**\$250.00 per Residential or RV Lot,
Condominium Unit, or SFE***

This charge is to reimburse the Company for all costs, including labor and materials, associated with establishing the initial service connection.

Appendix A**Docket No. 2004-90-W/S – Order No. 2004-574****December ____, 2004****Page Two**

RE-CONNECTION FEE**\$50.00 per Residential or RV Lot,
Condominium Unit, or SFE***

This charge is to reimburse the Company for all costs, including labor and materials, associated with re-establishing service after disconnect for non-payment, failure to make deposit, fraudulent, or seasonal use. Customers who ask to be reconnected within ten months of disconnection will be charged the monthly utility rate for the service period they were disconnected. The Reconnection Fee shall also be due prior to reconnection if sewer service has been disconnected at the request of the customer.

The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of a customer is less than one (1). If the equivalency rating of a customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the water system is requested.

BILLING OF TENANTS

The Utility will, for the convenience of the owner, bill a tenant. However, all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure to pay for services rendered to a tenant may result in service interruptions.

CONSTRUCTION STANDARDS:

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed.

EXTENSION OF UTILITY SERVICE LINES AND MAINS

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service, unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding water supply capacity to the affected water system.

Appendix A**Docket No. 2004-90-W/S – Order No. 2004-574****December ____, 2004****Page Three**

* A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities -- 25 S.C. Code Ann. Regs. 61-67 Appendix A (2003 Supp.)

SEWER SERVICE RATES AND CHARGES

SEWER MONTHLY RATES			
Effective Date	Residential Per Lot	RV Section Per Lot	Commercial Per Tap
	Commercial/Condominium Per Unit		
Phase 1 – 12/01/04	\$36.35	\$27.26	\$40.97
Phase 2 – 12/01/05	\$44.35	\$33.26	\$46.94
Phase 3 – 12/01/06	\$50.50	\$37.88	\$52.92

NONRECURRING CHARGES:**CONNECTION FEE (New Customer)****\$400.00 per Residential or RV Lot,
Condominium Unit, or SFE***

This charge is to reimburse the Company for all costs, including labor and materials associated with establishing the initial service connection.

The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of a customer is less than one (1). If the equivalency rating of a customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the water system is requested.

RE-CONNECTION FEE**\$250.00 per Connection**

This charge is to reimburse the Company for all costs, including labor and materials, associated with re-establishing service after disconnect for non-payment, failure to make deposit, fraudulent, or seasonal use. Customers who ask to be reconnected within ten months of disconnection will be charged the monthly utility rate for the service period they were disconnected. The Reconnection Fee shall also be due prior to reconnection if sewer service has been disconnected at the request of the customer.

Appendix A**Docket No. 2004-90-W/S – Order No. 2004-574****December ____, 2004****Page Four**

BILLING OF TENANTS

The Utility will, for the convenience of the owner, bill a tenant. However, all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure to pay for services rendered to a tenant may result in service interruptions.

TOXIC AND PRETREATMENT EFFLUENT GUIDELINES

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR §129.4 and §401.15. Additionally, pollutants or pollutant properties subject to 40 CFR §403.5 and §403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

CONSTRUCTION STANDARDS:

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed.

EXTENSION OF UTILITY SERVICE LINES AND MAINS

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into one of its sewer systems. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule and to comply with the guidelines and standards hereof, shall not be denied service, unless treatment capacity is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving sewer system.

In no event will the Utility be required to construct additional wastewater treatment capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.

Appendix A

Docket No. 2004-90-W/S – Order No. 2004-574

December ____, 2004

Page Five

* A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Environmental Control Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities --25 S.C. Code Ann. Regs. 61-67 Appendix A (2003 Supp.)

TOTAL ENVIRONMENTAL SOLUTIONS, INC.***South Carolina Water and Sewer Operations*****Details of Taxes - Other Than Income**

Description

SC DHEC Fee	\$25
Oconee County Assessment	510
Property Taxes	
Water	117
Sewer	5,135
Staff Adjustment	490
Subtotal	\$6,277
PSC Assessment - Phase 1	\$3,186
Phase 1 - Taxes Other Than Income	\$9,463
PSC Assessment - Phase 2	\$4,125
Phase 2 - Taxes Other Than Income	\$10,402
PSC Assessment - Phase 3	\$4,886
Phase 3 - Taxes Other Than Income	\$11,163

taxes.other

Total Environmental Solutions, Inc.
South Carolina Water and Sewer Operations

Adjustment for Estimated PSC Utility Assessment and Income Taxes
at Phase 1 Revenue

Revenues at Proposed Rates		\$415,000
<u>Revenue Deductions:</u>		
Operating & Maintenance Expenses		\$416,674
Depreciation Expense		3,377
SC DEHC Fee		25
Oconee City Assessment		510
Property Tax		5,252
Staff Adjustments		490
Interest Expense		14,259

Subtotal		(\$25,587)
 <u>PSC Utility Assessment :</u>		
Taxable Revenues	\$415,000	
PSC Utility Assessment at Proposed Rates	0.007110428	\$3,186
PSC Utility Assessment at Present Rates		0

PSC Utility Assessment Adjustment		\$3,186
		=====
 <u>SC State Income Tax:</u>		
SC State Taxable Income	(\$28,773)	
SC State Income Tax at Proposed Rates	5.0%	\$0
SC State Income Tax at Present Rates		0

SC State Income Tax Adjustment		\$0
		=====
 <u>Federal Income Tax:</u>		
Federal Taxable Income	\$0	
Federal Income Tax at Proposed Rates	34.0%	\$0
Federal Income Tax at Present Rates		0

Federal Income Tax Adjustment		\$0
		=====

Total Environmental Solutions, Inc.
South Carolina Water and Sewer Operations

Adjustment for Estimated PSC Utility Assessment and Income Taxes
at Phase 2 Revenue

Revenues at Proposed Rates		\$547,100
<u>Revenue Deductions:</u>		
Operating & Maintenance Expenses		\$416,674
Depreciation Expense		3,377
SC DEHC Fee		25
Oconee City Assessment		510
Property Tax		5,252
Staff adjustments		490
Interest Expense		14,259

Subtotal		\$106,513
<u>PSC Utility Assessment :</u>		
Taxable Revenues	\$547,100	
PSC Utility Assessment at Proposed Rates	0.007110428	\$4,125
PSC Utility Assessment at Present Rates		0

PSC Utility Assessment Adjustment		\$4,125
		=====
<u>SC State Income Tax:</u>		
SC State Taxable Income	\$102,388	
SC State Income Tax at Proposed Rates	5.0%	\$5,119
SC State Income Tax at Present Rates		0

SC State Income Tax Adjustment		\$5,119
		=====
<u>Federal Income Tax:</u>		
Federal Taxable Income	\$97,269	
Federal Income Tax at Proposed Rates	34.0%	\$33,071
Federal Income Tax at Present Rates		0

Federal Income Tax Adjustment		\$33,071
		=====

Total Environmental Solutions, Inc.
South Carolina Water and Sewer Operations

Adjustment for Estimated PSC Utility Assessment and Income Taxes
at Phase 3 Revenue

Revenues at Proposed Rates	\$654,200
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Revenue Deductions:

Operating & Maintenance Expenses	\$416,674
Depreciation Expense	3,377
SC DEHC Fee	25
Oconee City Assessment	510
Property Tax	5,252
Staff adjustments	490
Interest Expense	14,259

Subtotal	<div style="border-top: 1px solid black;">\$213,613</div>
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PSC Utility Assessment :

Taxable Revenues	\$654,200	
PSC Utility Assessment at Proposed Rates	0.007110428	\$4,886
PSC Utility Assessment at Present Rates		0
		<div style="border-top: 1px solid black;">\$4,886</div> <div style="border-top: 3px double black;"></div>
PSC Utility Assessment Adjustment		

SC State Income Tax:

SC State Taxable Income	\$208,727	
SC State Income Tax at Proposed Rates	5.0%	\$10,436
SC State Income Tax at Present Rates		0
		<div style="border-top: 1px solid black;">\$10,436</div> <div style="border-top: 3px double black;"></div>
SC State Income Tax Adjustment		

Federal Income Tax:

Federal Taxable Income	\$198,291	
Federal Income Tax at Proposed Rates	34.0%	\$67,419
Federal Income Tax at Present Rates		0
		<div style="border-top: 1px solid black;">\$67,419</div> <div style="border-top: 3px double black;"></div>
Federal Income Tax Adjustment		